

Director, Business Performance Group
University of Alberta
2-10 Business Building
Edmonton, Alberta T6G 2G6



PWC



[C O N T E N T S]

President's Message	3
Chairman's Report	5
Our Investments	6
In the Community	11
Management's Discussion & Analysis	12
Management's Responsibility for Financial Reporting	19
Consolidated Balance Sheets	20
Consolidated Statements of Operations	21
Consolidated Statements of Retained Earnings	22
Consolidated Statements of Cash Flows	23
Notes to Consolidated Financial Statements	24
Directors and Officers	35
Corporate Information	36

PWNC

FINANCIAL

H I G H L I G H T S

(000's)	01	00	99	98	97
INVESTMENT INCOME					
Loan interest	\$29,068	\$25,841	\$18,546	\$13,900	\$7,480
Securities (TEB)	20,006	18,285	11,159	5,752	3,716
Loan fees	725	1,000	868	1,196	706
Total	49,799	45,126	30,573	20,848	11,902
Yield on assets	7.02%	7.31%	6.65%	6.92%	7.24%
Interest expense	42,817	35,607	22,635	14,655	8,338
Cost of funds	6.04%	5.77%	4.92%	4.87%	5.07%
Net investment income (TEB)	6,982	9,519	7,938	6,193	3,564
Spread	0.98%	1.54%	1.73%	2.05%	2.17%
Provision for losses	289	346	321	401	301
Other income (TEB)	118	1,185	4,255	3,213	0
Total revenue (TEB)	6,811	10,358	11,872	9,005	3,263
Non interest expenses					
General and administrative	2,840	1,866	1,852	1,324	808
Salaries and benefits	2,700	2,167	1,709	1,331	974
Premises and equipment	694	408	353	289	281
Total	6,234	4,441	3,914	2,944	2,063
Net earnings (loss)	(876)	3,040	4,718	3,988	1,204
BALANCE SHEET ITEMS					
Assets:					
Cash and securities	297,752	284,934	208,856	157,280	82,955
Mortgages and loans	413,825	381,844	322,192	205,793	142,103
Other assets	21,799	19,175	12,900	10,067	4,697
Total	733,376	685,953	543,948	373,140	229,755
Average assets	709,665	614,951	458,544	301,448	164,283
Liabilities:					
Deposits	673,925	629,002	488,919	313,998	210,599
Notes payable	24,686	22,686	22,689	22,691	1,930
Other liabilities	4,385	2,901	3,520	12,020	2,720
Total	702,996	654,589	515,128	348,709	215,249
Shareholders' equity	30,380	31,364	28,820	24,431	14,506
Total	\$733,376	\$685,953	\$543,948	\$373,140	\$229,755

*TEB - Tax Equivalent Basis

A close-up portrait of a middle-aged man with a mustache and goatee, smiling. He is wearing a dark suit jacket, a light-colored striped shirt, and a red tie with a geometric pattern. The background is a solid dark color.

**“OPENING UP THE CANADIAN BANKING
INDUSTRY TO NICHE SERVICE PROVIDERS
LIKE US MAKES MORE CAPITAL AVAILABLE
IN THE MARKETPLACE TO STIMULATE THE
ECONOMY AND CREATE JOBS.”**

David R. Taylor, President & Chief Executive Officer

P R E S I D E N T ' S

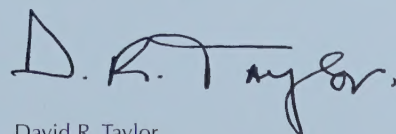
M E S S A G E

In 2001 we laid the groundwork for significant growth for the remainder of the decade. Included in these initiatives was filing an application with the federal regulators to operate a federally chartered bank. This opportunity became available last October, with the enactment of new federal legislation. Operating as a bank, we intend to continue our successful business model of raising deposits without branches, using our well-established broker network and lending these funds primarily to public sector entities in niche markets throughout Canada. We anticipate that the bank licence will allow us to increase the volume and profitability of these transactions significantly.

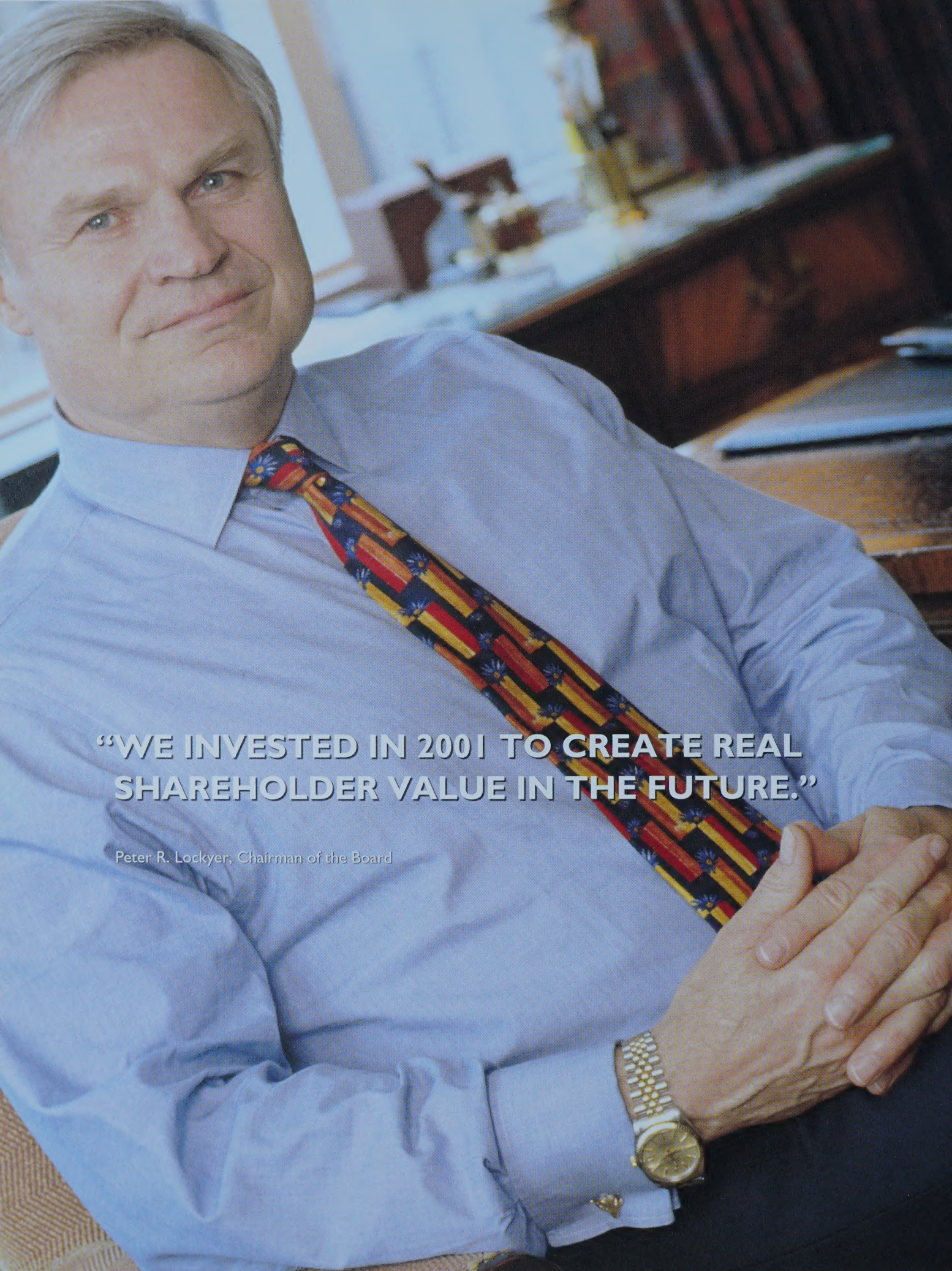
To further strengthen the financial resources available to our lending operations, we presented to our shareholders a plan for the combination with an affiliated company, PacWest Ventures Ltd. (PWV). Shareholders of both companies gave overwhelming support to the plan and the resulting new entity, Pacific & Western Credit Corp., has shareholders' equity of \$44.7 million, a 47% increase over the uncombined figure. This additional capital will provide for significant growth over the years to come.

Positioning ourselves for this growth has required a large commitment of resources; we incurred significant expenses reconfiguring our company to operate as a federal bank, as well as expenses related to the combination with PWV. In addition, our wholly-owned subsidiary and operating entity, Pacific & Western's eTrust of Canada Inc. (PWET), encountered new restrictions on the growth and composition of its assets that adversely affected its spread income. PWET is incorporated under the laws of the Province of Saskatchewan. That government enacted a new Saskatchewan Trust Act. Unfortunately, while this Act might reflect the mandate of the Government of Saskatchewan, it is not appropriate legislation under which our Trust Company can operate a national financing business. As a result, our Trust Company had to significantly alter its historic business plan, which created a disruption to its operations and adversely impacted our profitability. We expect it will be several months before we are able to complete the reconfiguration necessary to achieve an improvement in our operating results under these restrictions.

While I am disappointed in this year's operating results, I believe our strategy to strengthen our capital resources and reconfigure our business so that we can operate on a level playing field with our federal peers is the right one. Our unique business model has proven itself. We have powerful efficiency advantages, a high quality portfolio and are well capitalized. On a level playing field, this can only mean success.



David R. Taylor
President & Chief Executive Officer

A portrait of Peter R. Lockyer, Chairman of the Board, in an office setting. He is wearing a light blue dress shirt and a colorful patterned tie. His hands are clasped in front of him, and he is wearing a gold watch. The background shows a desk with papers and a bookshelf.

**"WE INVESTED IN 2001 TO CREATE REAL
SHAREHOLDER VALUE IN THE FUTURE."**

Peter R. Lockyer, Chairman of the Board

CHAIRMAN'S

REPORT

TO OUR SHAREHOLDERS

Our negative performance in 2001 was caused to a great extent by two factors - our Trust Company outgrowing its provincial regulatory regime while we invested to develop the infrastructure necessary to operate as a federal financial institution. Your Corporation has caused the necessary application to be filed under the new federal legislation to achieve a Federal Bank Charter. The obtaining of such Charter is ideally suited as the vehicle to conduct the niche financing business which has been the mainstay of the Corporation's success in the past.

In 2001, we invested significantly in order to create the right future and profitability for your Corporation. Should we receive the Federal charter, the Corporation will be well poised for growth and the creation of shareholder value. We will have shareholders' equity of approximately \$45 million, an outstanding management team and restructured policies and procedures.

I would like to compliment David Taylor and his management team on what was accomplished in 2001 to position your Corporation for a prosperous future. This management team, to a person, is truly talented and excited about the jobs that they have. They are enthusiastic and focussed on making your Corporation a success. They feel that the success of your Corporation will be their personal success.

In conclusion, while we must all be disappointed in last year's financial results, I am convinced that we have the management team, the structure and the capital resources to create real shareholder value in the future.



Peter R. Lockyer
Chairman of the Board

OUR

INVESTMENTS



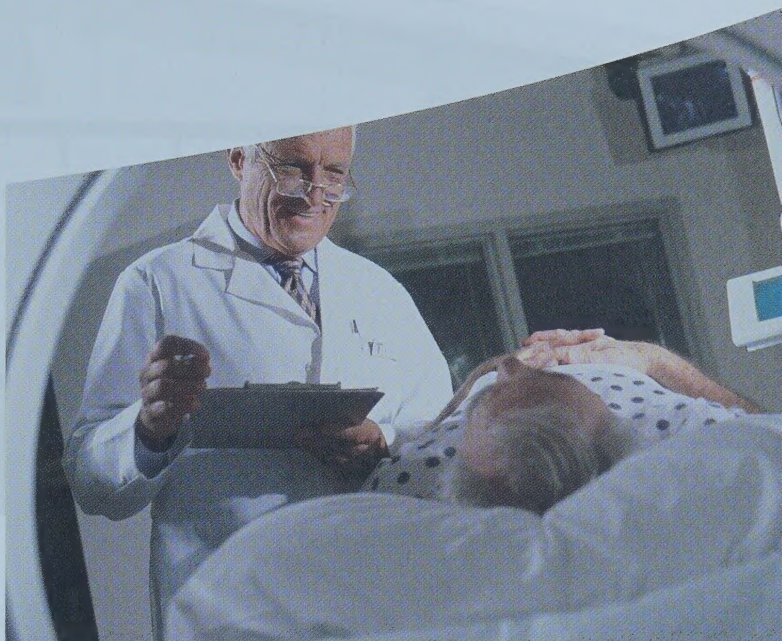
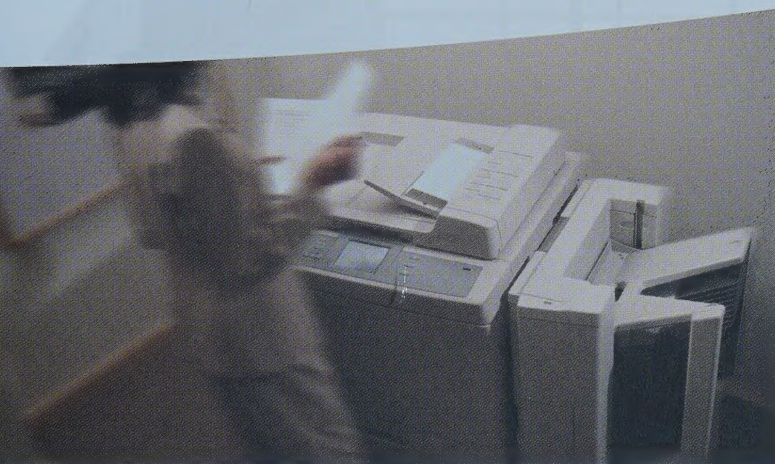
[CRANBROOK RECREATION FACILITY]

Completed in December 2000, the City of Cranbrook Multi-Purpose Recreation Centre includes a 4,500 seat arena, aquatic centre, fitness centre, restaurant, and retail concourse. Pacific & Western and a major life insurance company each provided one half of the \$22 million project cost in a public – private partnership with the City and the developer/operator.



[FIVE NATIONS ENERGY INC.]

Pacific & Western provided a \$12.0 million construction and term loan as a co-lender with a major Canadian chartered bank for the financing of a \$57 million hydro-electric transmission line from Moosonee to Attawapiskat, Ontario along the shore of James Bay. Upon completion, scheduled for September 2002, the 270 km power transmission line project will supply safe and secure power from the Ontario Hydro grid. This project will replace diesel generating systems currently operating in the area.



**The Right
Connections**



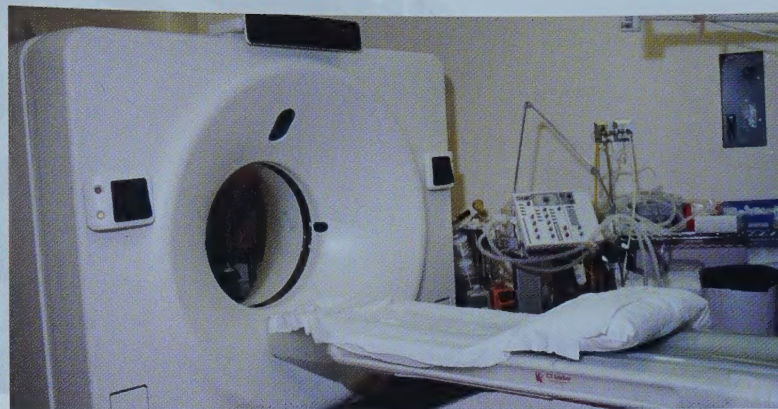
[4 OFFICE AUTOMATION LTD.]

Pacific & Western financed the lease of Panasonic photocopiers and other equipment leased by 4 Office Automation to public sector entities including Ontario school boards.



[HAMILTON HEALTH SCIENCES]

Pacific & Western provided over \$10 million in credit facilities to this Ontario public sector entity. Specific uses of our funds included a new telephone system and diagnostic imaging devices, including magnetic resonance imaging (MRI) equipment.



University Health Network

Toronto General Hospital Toronto Western Hospital Princess Margaret Hospital

[UNIVERSITY HEALTH NETWORK]

Pacific & Western provided an \$8.5 million financing facility to increase the capacity at the Hospital's downtown Toronto parking garage. The University Health Network, formerly known as The Toronto Hospital, includes the combined facilities of the former Toronto General, Toronto Western and Princess Margaret Hospitals. In addition, Pacific & Western has provided \$4 million in facilities to fund equipment leases.



[ST. MICHAEL'S HOSPITAL]

Pacific & Western provided a \$4 million credit facility to this community, teaching and research hospital serving eastern downtown Toronto. Funds were used for the purchase of medical equipment and capital leases for the Hospital.



[LONDON BRIDGE CHILD CARE SERVICES INC.]

Pacific & Western has provided \$2.7 million in various facilities to this non-profit corporation providing early childhood education services. Funds have been used for construction and takeout financing including a new 17,000 square foot centre located in London, Ontario.



[LAKERIDGE HEALTH CENTRE]

Pacific & Western provided a \$1 million facility to this regional hospital in Oshawa, Ontario to provide an improved and more efficient meal delivery system.



[CITY OF LONDON ARENA TRUST]

Pacific & Western is providing \$7 million in senior debt financing for this private-public partnership. The facility is a 210,000 square foot, 9,000 seat sports and entertainment complex located in downtown London, Ontario. The private sector partners in this \$42 million project include Ellis-Don Construction, Stadium Consultants International and Global Spectrum.



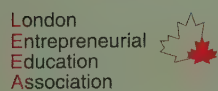
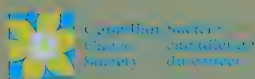
[TOWNSHIP OF SEGUIN]

Pacific & Western provided a \$1.7 million lease facility to this community located in the District of Parry Sound, Ontario to acquire an improved and more efficient waste disposal system

COMMUNITY



Centre & Western proudly sponsors junior hockey, which competed in two 2001 Olympic Games.
Centre & Western is making a portion of its income available for various



Management's Discussion and Analysis provides an analysis of our operations for the years ended December 31, 2001 and 2000. The ratios and percentages are calculated in the same manner as those of the six largest Canadian banks (big banks) to provide for comparison. Where appropriate, figures are shown on a taxable equivalent basis (TEB), which means an adjustment has been made to interest and other income to gross up the tax exempt income earned by an amount which, had it been taxable at the statutory rate, would result in the same after-tax net income that appears in the financial statements. An equal and offsetting adjustment is made to increase the provision for income taxes. This results in a better reflection of the pre-tax economic yield of these assets and facilitates uniform measurement and comparison of net interest income and other income.

[OUR MISSION]

To maximize the value of our common shares and total return to our shareholders over time by providing better, faster, and cheaper financial solutions for our clients in selected niche markets.

Taking advantage of new technology, our Trust company developed a system for issuing GICs exclusively through a deposit broker network. Funds and data are electronically transferred to us allowing us to process deposits much more efficiently than financial institutions that raise their deposits in the traditional way through retail branch networks. Our non-interest expenses as a percentage of assets, a recognized measure of efficiency, is approximately one-third of that averaged by the big banks. This is our competitive advantage.

RISK MANAGEMENT

Risk management involves the identification and ongoing assessment of the material risks that could adversely affect the achievement of our goals. We have appointed a senior vice president to oversee this important area. Risks may be categorized into four areas. They are: credit risk, liquidity risk, interest rate risk and operational risk. Our Board of Directors approves policies, reviews existing policies, delegates limits and reviews management's assessment of risk in its major risk-taking activities. An independent internal auditor is retained to provide a continuing review of our policies and procedures to ensure that they are appropriate, effective and being followed and that adequate controls are in place in order to mitigate risk to acceptable levels. This internal auditor enjoys considerable autonomy and reports directly to the Audit Committee of the Board of Directors.

Credit Risk

Credit risk is the potential for loss due to the failure of a counter-party or borrower to meet its financial obligations. Generally, we accept credit risk in market niches that are not well served by the larger financial institutions. Our emphasis is on lower risk assets which include public sector borrowers, immigrant investors in government sponsored immigrant funds and investments in other financial institutions. Additionally, we have policies to govern and limit portfolio concentrations by geographic area and asset category. We have established a risk rating policy that provides for risk rating each asset in our total asset portfolio.

Liquidity Risk

Liquidity risk is the risk of being unable to honour all our cash outflow obligations as they become due. We have established policies to ensure that our cash outflows and inflows are closely matched and that our sources of deposits are diversified over a wide geographic area. Additionally, we maintain a reserve of liquid assets and have standby lines of credit available. An Asset Liability Management Committee has been established to monitor liquidity risk, review compliance with our policies and discuss strategies in this area. Our liquidity ratio is 40.6% versus the big banks' 28.7%. The proportion of cash and securities of our total asset portfolio is significantly higher than optimal. We are maintaining this excess liquidity to comply with changes in our regulatory environment. Although our cash and securities portfolio presents minimal risk, our spread income is adversely affected.

Interest Rate Risk

Interest rate risk is the risk that a movement in interest rates could negatively impact our spread, net interest income and the economic value of our assets, liabilities and shareholders' equity. In order to mitigate this risk, our policy is to maintain the matching of our cash inflows and outflows so that in any 60 month period a 100 basis point change in rates across the entire yield curve would not have an impact greater than \$3 million. We conduct gap and sensitivity analyses to measure the impact of interest rate changes on our current earnings and the economic value of our interest rate, sensitive assets, liabilities and equity.

As the average duration of our assets normally exceeds that of our deposits by a substantial margin, we use interest rate swaps to assist in matching our cash inflows and outflows, a practice we share with the big banks.

Operational Risk

Operational risk is a loss resulting from a breakdown in systems, procedures, human error, disasters or criminal activity. We have a comprehensive internal control policy which provides clear direction to all areas of our business and employees and establishes accountability and responsibilities to identify, assess, appropriately mitigate and control operational risks. We have hired banking professionals with many years of related experience. We have developed our own systems and software and tested them thoroughly and we have a comprehensive internal audit function to ensure that operational risk is mitigated to prudent levels.

SHAREHOLDERS' EQUITY AND NOTES

Shareholders' equity and notes increased by \$1.0 million or 1.9% to \$55 million at December 31, 2001. This increase resulted from the net effect of a \$2 million increase in notes outstanding and a \$1 million reduction in retained earnings. Our capitalization ratios compare favourably to that of the big banks. Total capital to assets is 7.5% compared to the average of the big banks of 6.2% and total capital to risk weighted asset percentage is 17.1% versus the big banks' 12.2%. The chart to the right illustrates the growth of our shareholders' equity and notes experienced in recent years.

As a result of the amalgamation transaction effective January 1, 2002, shareholders' equity and notes increased a further 43% to \$79 million.

ASSETS

The chart to the right illustrates that as our shareholders' equity and notes increased we were able to increase our assets moderately. Total assets are \$733 million, a 7% increase over 2000's figure. This growth is attributable to growth in the securities, and mortgage and loan portfolios. The securities portfolio increased by \$73 million over last year's figure. The majority of this increase is attributable to the purchase of securities issued and guaranteed by the Canadian federal government or Canadian provinces. The mortgage and loan portfolio increased by \$32 million from a year ago. The majority of this increase is attributable to loans to immigrants investing in government sponsored investment funds and an increase in insured residential mortgages. Overall, assets averaged \$709 million for the year, up \$95 million over the same period last year.

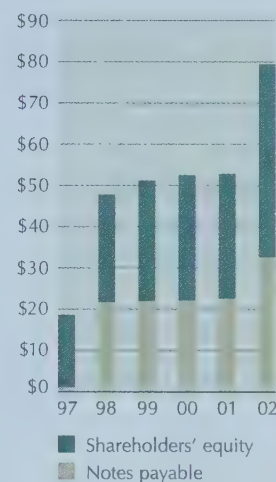
ASSET QUALITY

Our asset quality remains high, comparing favourably to the big banks. Gross impaired loans as a percentage of total equity and allowance for credit losses is 2.6% versus the big banks' 14.0%.

LIQUIDITY

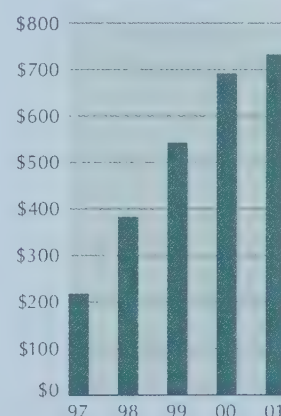
With our emphasis on acquiring public sector assets, our liquidity is high, comparing favourably to the big banks. Our liquidity ratio, cash and securities to assets is 40.6% versus the big banks' 28.7%. As mentioned earlier, our liquidity is considerably higher than optimal and is adversely affecting spread income.

Shareholders' Equity and Notes (\$ millions)



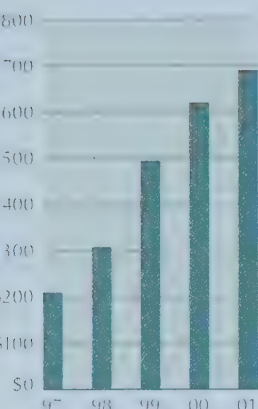
(2002 data as at January 1, 2002)

Asset Growth (\$ millions)



DEPOSITS

Deposits
(\$ millions)



As is illustrated in the chart to the left, our deposit base has grown rapidly. Presently, we have approximately 40,000 customers holding GICs eligible for CDIC insurance. During 2000, we launched the "eTrust Savings Account" that pays interest calculated daily. This new product is allowing us to increase further our customer base and attracted a significant number of new clients in 2001. In addition, Ross Dixon Financial Services Limited and Hewmac Investment Services Inc. began distributing our GICs. Recently Cartier Partners Financial Group Inc. and Farm Mutual Financial Services Inc. also agreed to distribute our GICs. We now source approximately 35% of our new GICs from Ontario and continue to be licensed to gather deposits in seven provinces and all three territories.

Our ability to raise CDIC insured deposits in a very efficient manner has lowered our operating costs and provides us with a strong competitive advantage. Our clients in the public sectors, such as hospitals, schools and municipalities, demand low borrowing rates and we are finding that our competitors, because of their relatively higher operating costs, are unable to compete with us profitably. We match the maturities of our GICs to those of our financial assets in order to minimize our exposure to interest rate movements. Our management pays close attention to this important area of our business to ensure that we are not vulnerable to an adverse change in interest rates.

SPREAD

Spread
(percentage)



Spread is the difference between what we pay on our liabilities and equity and what we earn on our assets. During 2001, our spread declined from 1.54% to 0.98% on a TEB versus the big banks' average spread of 1.95% on a TEB. This decline resulted from a change in our regulatory environment that restricted our profitable leasing and lending operations and caused us to maintain a large portfolio of low-yielding cash and security assets. Once we are able to operate a federal bank, we will be able to resume our normal leasing and lending operations and reduce the size of our cash and securities portfolio, which should result in our spread returning to its normal levels.

NET INVESTMENT INCOME

Net investment income is the income we earn on our loans, leases and securities less the interest we pay on our funding sources, which are primarily our deposits. Income from loans, leases and securities was up to \$49.8 million (TEB) from last year's \$45.1 million (TEB). However, our spread for the year was down 0.56% to 0.98%, primarily due to regulatory restrictions on the growth and composition of our assets in our wholly-owned subsidiary, Pacific and Western's eTrust of Canada Inc. (PWET). PWET is incorporated under the laws of the Province of Saskatchewan. The net effect of the new Saskatchewan constraints was a decline in net investment income to \$7.0 million (TEB) from \$9.5 million (TEB) in 2000.

NON-INTEREST INCOME

Non-interest income, determined on a TEB, is \$118,000 down from \$891,000 reported in 2000. During 2001, we recognized a loss of \$274,000 from our subsidiary PacWest Ventures Ltd. (PacWest), primarily due to a \$1.6 million provision taken by PacWest on a real estate project in the Kitchener area. In accordance with generally accepted accounting principles, we have not recognized appraisal gains that we believe could have offset this provision. Effective January 1, 2002, PacWest was amalgamated with Credit Corp..

Another area where we earn non-interest income is fiduciary services. An agreement with the University of Western Ontario to provide fiduciary services is operating well. We are currently assessing the market potential of these services for other Canadian public sector pension plan sponsors and other clients and expect our income to increase steadily from this area.

TOTAL REVENUE

Total revenue, as the chart to the left illustrates, is a combination of net interest income and non-interest income. It was \$6.8 million on a TEB, down \$3.6 million from 2000 due to reduced earnings from PacWest, as discussed above, and lower spreads resulting from changes in our regulatory environment.

NON-INTEREST EXPENSES

In the fourth quarter of 2001, we announced the terms of the amalgamation of Credit Corp. with PacWest and submitted an application to the federal regulators to operate a federally chartered bank. These transactions and other reconfigurations, including staff and premises expenditures required for us to operate as a bank, involved significant expenses and contributed to non-interest expenses increasing 40% over 2000's figure of \$4.4 million to \$6.2 million. As a percentage of average assets, non-interest expenses increased from 0.72% to 0.88%, and remained approximately one-third of that averaged by the big banks. On another measure of efficiency, assets to full-time employees, our \$24 million per employee is approximately four times better than that averaged by the big banks. We remain one of Canada's most efficient financial institutions, which has resulted from our strategy of continuously improving our business processes and targeting markets requiring less administration.

Total Revenue
(\$ millions)



NET EARNINGS

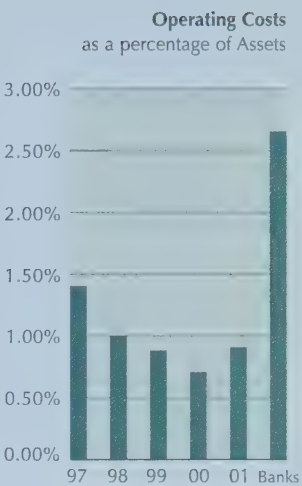
Net income was down \$3.9 million, from \$3.0 million reported in 2000 to a loss of \$876,000. As mentioned earlier, this was primarily due to lower spreads resulting from changes in our regulatory environment, a loss from our investment in PacWest and expenses related to our reconfiguration required for us to operate as a bank. This served to depress our return on common equity which reduced from 10.5% in 2000 to (2.8%) versus the big banks' average of 14.2%. It also served to reduce our earnings per common share from \$0.06 to (\$0.02) on a fully diluted basis.

SHAREHOLDER VALUE

Over the past six years, our shareholders have earned an annualized total return of 12.8% on their investment in Pacific & Western Credit Corp. This return compared favourably to the market return defined as the TSE 300 Composite Index® for the same period of 10.3%.

SUMMARY

Over the years we have devoted considerable time and resources to improving our productivity. Our belief was, and continues to be, that by improving productivity we would be able to lend and invest profitably in niche markets that other less productive financial institutions would have difficulty doing profitably. We hired banking professionals knowledgeable in these niche markets so that we would be able to provide expert and price-competitive services to our clients. These principles continue to be the mainstay of our business philosophy. During 2001, our wholly-owned subsidiary and operating entity, PWET, encountered some new restrictions on the growth and composition of its assets that adversely affected our spread income. PWET is incorporated under the laws of the Province of Saskatchewan. That government enacted a new Saskatchewan Trust Act. Unfortunately, this Act is not appropriate legislation under which our trust company can operate a national financing business. As a result, our trust company had to significantly alter its historic business plan, which created a disruption to its operations and adversely impacted our profitability. To alleviate this situation, we have taken advantage of recent changes to Canadian banking legislation and have made application to the federal regulators to operate a federal bank. A federal bank's powers are well suited to our business model and should allow us to return to our previous levels of profitability.



INTRODUCTION

Maintaining an effective corporate governance framework is a priority for Pacific & Western. The fundamental duty of the Board of Directors is to supervise the management of the business and its affairs to maximize shareholder value.

Our ongoing relationship with our shareholders is maintained through our Transfer Agent and Registrar, Computershare Trust Company of Canada and other financial intermediaries and, in particular, through our Shareholders' Meetings. Shareholders may communicate with us by contacting our Director of Investor Relations or Computershare.

Pacific & Western's eTrust of Canada Inc. (PWET) carries out the main business of Pacific & Western, comprising approximately 95% of its assets. PWET's Board of Directors and its committees assist in carrying out and overseeing the corporate governance for Pacific & Western Credit Corp..

GENERAL RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors as a whole is responsible for governance issues and performs the following functions:

- Appoints a Chair of the Board who is unrelated and independent of management
- Appoints the Chief Executive Officer
- Oversees the management succession plan and the human resources plan
- Oversees employee compensation plans to ensure that they are consistent with sustainable achievement of Pacific & Western's business objectives, the prudent management of operations and the risks to which it is exposed and adherence to its processes, policies, procedures and controls
- Appoints officers and regularly evaluates the effectiveness and prudence of such officers in managing the operations of Pacific & Western and the risks to which it is exposed
- Establishes standards of business conduct and ethical behaviour for directors, officers and other personnel
- Establishes Board committees and mandates
- Approves all policies, including those pertaining to corporate disclosure and communications, risk management, liquidity and funding management and capital management
- Oversees communications with shareholders, including approving the annual financial statements, annual information form and annual shareholders' meeting materials
- Reviews and approves the annual strategic plan and ensures that the objectives set out are realized
- Compares and measures Pacific & Western's performance against prior years' performance, previously established plans and industry peers
- Reviews the performance of Pacific & Western on a consolidated basis as well as the performance of major subsidiaries
- Receives reports, at least annually, from each of the Board Committees
- Declares dividends
- Reviews and monitors compliance with the Canada Deposit Insurance Corporation's Standards of Sound Business and Financial Practices
- Ensures that an audit/inspection function monitors the effectiveness of the organizational and procedural controls
- Assesses the Board's effectiveness

In order to discharge the Board's responsibilities, certain governance issues have been delegated to committees of the Board. The committees may engage outside consultants as they see fit, subject to the approval of the Board.

COMPOSITION OF THE BOARD

The Toronto Stock Exchange guidelines recommend that a corporation have a majority of unrelated directors. Pacific & Western Credit Corp. currently has thirteen directors, twelve of whom are “unrelated” as defined in the Toronto Stock Exchange guidelines on corporate governance. The one related director is the President and Chief Executive Officer.

It is believed that the present composition of the Board ensures that there is a broad spectrum of skills, knowledge and expertise to benefit from.

BOARD COMMITTEES

AUDIT COMMITTEES

Both Pacific & Western Credit Corp. and PWET have Audit Committees that oversee financial reporting procedures and ensure that adequate internal controls are in place over accounting and financial reporting systems. The Committees are comprised entirely of unrelated directors and perform the following functions:

- Review the annual financial statements of the Corporation and such returns of the Corporation as regulatory requirements require
- Review annually the Corporation’s Strategic Plan, Business Plan and Budget
- Review all arrangements involving outsourcing of significant operations
- Ensure management implements and maintains appropriate internal control procedures
- Review, at least annually, the policies and procedures with respect to capital management, liquidity and funding management, money laundering and internal control
- Communicate regularly with external auditors
- Meet with the external auditors on a regular basis
- Monitor amounts paid to the external auditor and other accounting firms
- Approve the mandate of the Internal Auditor
- Approve annually a risk-based audit plan as submitted by the Internal Auditor
- Meet with the Internal Auditor and management to discuss the effectiveness of the Corporation’s internal controls
- Receive all risk-based audit reports and follow-up reports directly from the Internal Auditor

Members (Pacific & Western Credit Corp. and PWET):

Kingsley G. Allaster (Chair), Peter R. Lockyer, Arnold E. Hillier, Dale E. Creighton, Francis J.C. Newbould

HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEES

Both Pacific & Western Credit Corp. and PWET have Human Resources and Corporate Governance Committees. The Committees are comprised entirely of unrelated directors and perform the following functions:

- Set criteria for the selection of directors, recommend Board candidates for election as directors, and examine and recommend the level and nature of directors’ fees
- Review and assess the performance of the Board of Directors, committees of the Board and individual directors
- Develop and enhance the Corporation’s approach to governance issues
- Review and assess a detailed list of the duties to be performed by the Chief Executive Officer
- Review officer and management appointments to ensure that the Corporation has enough experienced and skilled personnel to carry out its business activities in a prudent manner
- Conduct an annual review of the Human Resource Policies of the Corporation
- Ensure that the Corporation has an effective management succession plan and human resource plan in place

Members (Pacific & Western Credit Corp. and PWET):

David A. Bratton (Chair), Peter R. Lockyer, Alexander Mikalachki, Douglas W. Gough

CREDIT REVIEW COMMITTEE

The Credit Review Committee is comprised entirely of unrelated directors and performs the following functions:

- Recommends policies governing management of credit risk, market risk and structural risk to the Board for approval and reviews them on an ongoing basis to ensure that they are prudent and appropriate given possible changes in market conditions and company strategy
- Reviews internal audit reports pertaining to credit risk, market risk and structural risk
- Concurs with credits exceeding the levels delegated to management, prior to commitment

Members (PWET):

Terrence L. Bedard (Chair), Peter R. Lockyer, Kingsley G. Allaster, Douglas W. Gough, Arnold E. Hillier

CONDUCT REVIEW COMMITTEE

The Conduct Review Committee is comprised entirely of unrelated directors and performs the following functions:

- Reviews and assesses related party transactions
- Deals with matters of conflict of interest
- Deals with matters of harassment in the workplace
- Deals with matters regarding customer complaints, should any arise
- Monitors compliance with the company's Code of Conduct

Members (PWET):

Alexander Mikalachki (Chair), Peter R. Lockyer, David A. Bratton, John L. Evans

CORPORATE GOVERNANCE ACHIEVEMENTS

Pacific & Western continues to review and improve its corporate governance. Certain of our latest corporate governance achievements are:

- Management has completed a comprehensive, company wide risk-based assessment
- The Audit Committee has approved a comprehensive risk based Internal Audit plan
- Completed formal assessments of the Board, Committees of the Board and individual directors
- Reviewed and revised the succession plan for senior management
- Instituted a detailed Human Resources Plan
- Continued implementation of a new legislative compliance management system

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Pacific & Western Credit Corp. were prepared by management, which is responsible for the integrity and fairness of the data presented, including amounts which must of necessity be based on estimates and judgements. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles. Financial information appearing throughout this Annual Report is consistent with the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained.

The board of directors oversees management's responsibilities for financial reporting through an Audit Committee. The Audit Committee reviews the consolidated financial statements of the Corporation and recommends them to the board for approval. Other key responsibilities of the Audit Committee include reviewing the Corporation's existing internal control procedures and advising the directors on auditing matters and financial reporting issues.

KPMG LLP, independent auditors appointed by the shareholders of the Corporation upon the recommendation of the Audit Committee, have examined the consolidated financial statements and their report follows. The shareholders' auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Corporation's financial reporting and the adequacy of the system of internal controls.



David R. Taylor
President & Chief Executive Officer



Barry D. Walter, C.A.
Chief Financial Officer

March 1, 2002

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Pacific & Western Credit Corp. as at December 31, 2001 and 2000 and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Saskatoon, Canada

February 27, 2002

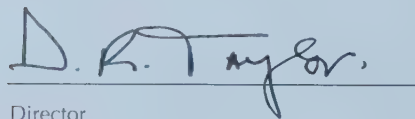
CONSOLIDATED
BALANCE SHEETS

December 31, 2001 and 2000

(thousands of dollars)	2001	2000
Assets		
Cash resources	\$ 55,513	\$ 116,126
Securities (note 2)	242,239	168,808
Mortgages and loans (note 3)	413,825	381,844
Other assets (note 4)	21,799	19,175
	\$ 733,376	\$ 685,953
Liabilities and Shareholders' Equity		
Deposits (note 5)	\$ 673,925	\$ 629,002
Notes payable (note 6)	24,686	22,686
Other liabilities	4,385	2,901
	702,996	654,589
Shareholders' equity:		
Share capital (note 7)	23,871	23,871
Retained earnings	6,509	7,493
	30,380	31,364
	\$ 733,376	\$ 685,953

See accompanying notes to consolidated financial statements.

On behalf of the Board:


Director


Director

CONSOLIDATED

STATEMENTS OF OPERATIONS

Years ended December 31, 2001 and 2000

(thousands of dollars)	2001	2000
Interest income on loans	\$ 29,068	\$ 25,841
Interest and income from securities	17,097	14,136
Loan fee income	725	1,000
	46,890	40,977
Interest expense	42,817	35,607
Net interest income before provision for loan losses	4,073	5,370
Provision for loan losses (note 3)	289	346
Net interest income	3,784	5,024
Equity earnings (loss)	(274)	358
Other income	392	533
	3,902	5,915
Non-interest expenses:		
General and administrative	2,840	1,866
Salaries and benefits	2,700	2,167
Premises and equipment	694	408
	6,234	4,441
Earnings (loss) before income taxes	(2,332)	1,474
Income tax recovery (note 8)	1,456	1,566
Net earnings (loss)	\$ (876)	\$ 3,040
Basic earnings (loss) per share (note 9)	\$ (0.02)	\$ 0.06
Diluted earnings (loss) per share (note 9)	(0.02)	0.06

See accompanying notes to consolidated financial statements.

CONSOLIDATED

STATEMENTS OF RETAINED EARNINGS

Years ended December 31, 2001 and 2000

(thousands of dollars)	2001	2000
Retained earnings, beginning of year	\$ 7,493	\$ 4,925
Net earnings (loss)	(876)	3,040
Dividends paid on preferred shares	—	(355)
Dividends paid by associated corporation on preferred shares	(108)	(117)
Retained earnings, end of year	\$ 6,509	\$ 7,493

See accompanying notes to consolidated financial statements.

CONSOLIDATED

STATEMENTS OF CASH FLOWS

Years ended December 31, 2001 and 2000

(thousands of dollars)	2001	2000
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$ (876)	\$ 3,040
Items not involving cash:		
Provision for loan losses	289	346
Equity (earnings) loss	274	(358)
Future income tax recovery	(1,591)	(1,617)
Change in other assets and liabilities	69	(5,036)
	(1,835)	(3,625)
Investing:		
Securities	(73,431)	(13,016)
Mortgages and loans	(32,270)	(59,998)
	(105,701)	(73,014)
Financing:		
Deposits	44,923	140,083
Notes payable	2,000	—
Issuance of common shares	—	22
Redemption of preferred shares	—	(49)
Dividends paid on preferred shares	—	(355)
	46,923	139,701
Increase (decrease) in cash resources	(60,613)	63,062
Cash resources, beginning of year	116,126	53,064
Cash resources, end of year	\$ 55,513	\$ 116,126
Supplementary cash flow information:		
Interest paid during the year	\$ 41,900	\$ 30,100
Income taxes paid during the year	65	160

See accompanying notes to consolidated financial statements.

Years ended December 31, 2001 and 2000

Pacific & Western Credit Corp. (the "Corporation"), through its subsidiaries is involved in the business of providing financial services to public and private sector entities. Pacific & Western's eTrust of Canada Inc., its principal subsidiary, is licensed as a trust company throughout Canada with the exception of the provinces of New Brunswick, Newfoundland and Quebec.

I. SIGNIFICANT ACCOUNTING POLICIES:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The significant accounting principles used in the preparation of these consolidated financial statements are summarized below:

(a) Investments:

These consolidated financial statements include the accounts of the following wholly owned subsidiary companies: Pacific & Western's eTrust of Canada Inc. ("PWET"), Pacific & Western Public Sector Financing Corp. and PW Financial Inc.

All significant intercompany accounts and transactions have been eliminated.

Investments in which the Corporation exercises significant influence are accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Corporation's share of post-acquisition earnings of the associated corporation less dividends received.

(b) Cash resources:

Cash resources include government treasury bills and deposits with Canadian chartered banks with less than ninety days to maturity from the date of acquisition, net of cheques and other items in transit.

(c) Securities:

The Corporation holds securities for investment purposes with the original intention of holding the securities to maturity or until market conditions render alternative investments more attractive. Securities are stated at amortized cost. The amortization of premiums or discounts is included in income over the period to maturity.

Any impairment in their underlying value other than a temporary impairment is recorded as a charge to income in the year in which it occurs.

Gains and losses on disposal of securities are included in income in the year realized.

(d) Mortgages and loans:

Loans and mortgages (loans) are stated at cost less an allowance for losses.

Interest income on loans is recorded on the accrual basis until such time as the loan is classified as impaired. An impaired loan is a loan where there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. An uninsured loan is classified as impaired when scheduled payments are more than ninety days in arrears. An insured loan is classified as impaired when scheduled payments are more than one hundred and eighty days in arrears. When a loan is classified as impaired, accrual of interest on the loan ceases, the amount of any accrued and unpaid interest is reversed and charged against income at the time and the carrying amount of the loan is reduced to its estimated realizable amount. Estimated realizable amounts are measured by discounting the expected future cash flows, if they can be reasonably estimated, using the effective interest rate inherent in the loan. When the amounts and timing of cash flows cannot be reasonably estimated, the carrying amount of the loan is reduced to its estimated net realizable value based on either i) the

fair value of any security underlying the loans, net of expected costs of realization, or ii) observable market prices for the loans. As long as the loan remains classified as impaired, interest will be recognized only when all charges of loan impairment have been reversed.

Loan fees in excess of estimated administrative costs are recognized in income over the appropriate lending or commitment period.

Real estate acquired as settlement of loans is stated at cost less an allowance for losses.

(e) Allowance for loan losses:

The allowance for loan losses consists of specific provisions, being provisions against specific credit exposure determined on an item-by-item basis and a general provision for doubtful loans, being a provision of a prudent nature which cannot be determined on an item-by-item basis but which in management's opinion may be required in order to absorb future credit losses.

The provision for loan losses is presented net of recoveries of provisions recorded in prior years.

(f) Deferred financing charges:

Deferred financing charges related to notes payable are being amortized on a straight-line basis over the term of the related debt. The amortization of these charges is included with interest expense in the Consolidated Statements of Operations.

(g) Capital assets:

Capital assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of assets not exceeding ten years.

(h) Income taxes:

The Corporation follows the asset and liability method of accounting for income taxes. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years when temporary differences are expected to be recovered or settled.

(i) Stock based compensation:

The Corporation has a stock option plan that is described in note 7. No compensation expense is recognized for this plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to common shares.

(j) Financial instruments:

The amounts recorded in the balance sheet for cash resources and other liabilities approximate fair value due to the short term maturity of these instruments. Fair values for interest bearing financial assets and liabilities are disclosed in note 11.

Interest rate swap agreements are entered into for asset liability management ("ALM") purposes. These contracts are designated as hedges and are accounted for on the accrual basis. Interest expense and gains/losses are recognized, as appropriate, over the hedged period.

(k) Risk management:

Credit risk

The Corporation has established a comprehensive Credit Risk Management Program to manage its credit risk. The Program consists of approval procedures and limits on: loan amounts, geographic concentration, loans to any one entity, associated groups and each of its asset categories. Lending practices are monitored on an ongoing basis to ensure they comply with the Program.

Interest rate risk

The operations of the Corporation are subject to risk of interest rate fluctuations to the extent that cash flows from interest-earning assets and interest-bearing liabilities differ. The Corporation employs a number of methods, including interest rate sensitivity gap and duration analysis to measure the risks generated by interest rate sensitive assets and liabilities and to monitor compliance with limits set by corporate policy.

2. SECURITIES:

(a) Portfolio analysis:

(thousands of dollars)	2001	2000
Securities issued or guaranteed by:		
Canadian federal government	\$ 42,406	\$ 22,799
Canadian provinces	98,242	23,878
Canadian municipalities	20,368	4,000
Government insured mortgage-backed securities	12,634	15,473
Canadian corporate equity	54,066	83,919
Canadian corporate debt	12,198	15,708
	239,914	165,777
Accrued interest	2,325	3,031
	\$ 242,239	\$ 168,808

(b) Maturities and yields:

(thousands of dollars)					
Maturity dates	2001	Yield	2000	Yield	
Floating	\$ 16,295	3.77%	\$ 5,173	5.40%	
Within 3 months	69,365	3.85%	47,779	5.63%	
3 months - 1 year	44,083	3.63%	14,879	6.46%	
1 year - 2 years	32,184	5.90%	13,421	5.41%	
2 years - 5 years	39,951	5.57%	47,554	5.59%	
Over 5 years	38,036	6.03%	36,971	5.63%	
	\$ 239,914	4.71%	\$ 165,777	5.67%	

Average effective yields are based on book values and contractual interest or stated dividend rates adjusted for amortization of premiums and discounts.

3. MORTGAGES AND LOANS:

(a) Portfolio analysis:

(thousands of dollars)	2001	2000
Residential mortgages:		
Insured	\$ 70,884	\$ 45,820
Uninsured	28,739	33,248
Business and government loans	194,250	194,020
Personal loans	115,321	102,583
	409,194	375,671
Real estate	3,244	4,596
	412,438	380,267
Allowance for losses:		
General	(463)	(579)
Specific loans	—	(206)
Real estate	(1,123)	(824)
	410,852	378,658
Accrued interest	2,973	3,186
	\$ 413,825	\$ 381,844

(b) **Maturities and loans – continued:**

The allowance for loan losses results from the following:

(thousands of dollars)	2001	2000
Balance, beginning of year	\$ 1,609	\$ 1,344
Provision for loan losses	289	346
Provisions realized on settlement of loans	(312)	(81)
Balance, end of year	\$ 1,586	\$ 1,609

(c) **Maturities and yields:**

(thousands of dollars)				
Maturity dates	2001	Yield	2000	Yield
Floating	\$ 9,876	4.54%	\$ 30,558	7.43%
Within 3 months	39,585	7.04%	24,350	8.63%
3 months - 1 year	41,653	6.52%	33,059	9.44%
1 year - 2 years	32,887	7.00%	24,270	7.38%
2 years - 5 years	202,994	6.96%	175,477	7.20%
Over 5 years	82,199	6.71%	87,957	6.67%
	\$ 409,194	6.82%	\$ 375,671	7.40%

Average effective yields are based on book values and contractual interest rates, adjusted for the amortization of any deferred income.

(d) **Impaired loans:**

At December 31, 2001, impaired loans were \$1,408,000 (2000 - \$1,101,000).

4. OTHER ASSETS:

(thousands of dollars)	2001	2000
Investment in PacWest Ventures Ltd. (note 15)	\$ 7,800	\$ 8,151
Prepaid expenses	3,637	3,650
Investment in development project	2,881	2,075
Future income taxes	3,587	1,996
Capital assets	2,951	2,226
Deferred financing charges	943	1,077
	\$ 21,799	\$ 19,175

5. DEPOSITS:

(thousands of dollars)		Effective		Effective
Maturity dates	2001	Rate	2000	Rate
Within 3 months	\$ 176,521	3.99%	\$ 105,026	5.68%
3 months - 1 year	264,802	4.37%	258,465	5.94%
1 year - 2 years	94,675	5.45%	108,742	5.97%
2 years - 5 years	122,203	5.88%	140,263	6.08%
	658,201	4.70%	612,496	5.93%
Accrued interest	15,724		16,506	
	\$ 673,925		\$ 629,002	

Average effective rates are based on book values and contractual interest rates.

6. NOTES PAYABLE:

(thousands of dollars)	2001	2000
9.0% Ten Year Term Series C Notes, convertible into common shares, unsecured.	\$ 22,684	\$ 22,684
9.5% note payable to PacWest Ventures Ltd., due August 2003, secured by a pledge of subordinated notes of equal value issued by PWET to the Corporation.	2,000	—
9.5% Ten Year Term Series A Notes, secured by a pledge of subordinated notes of equal value issued by PWET to the Corporation.	2	2
	\$ 24,686	\$ 22,686

The Series C notes were issued on October 16, 1998, mature in 2008 and are convertible on the basis of one share for every \$2.50 converted during the first three years after issuance and one share for every \$5.00 converted during the next two years.

The Series A notes were exchangeable on the basis of one common share for every \$1.20 exchanged until August 2001. After August 2001, the Series A notes were no longer exchangeable.

During the year, interest paid on these notes was \$2,105,750 (2000 - \$2,041,750).

7. SHARE CAPITAL:

(a) Authorized:

Common shares:

The Corporation is authorized to issue an unlimited number of common shares.

Class A preferred shares:

By Certificate of Amendment dated July 6, 2001, and accompanying Articles of Amendment, the Class A preferred shares Series Two and Series Three were deleted as an authorized series, and the Class A preferred shares were deleted as an authorized class.

(b) Issued and outstanding:

(thousands of dollars)	2001		2000	
	Shares	Amount	Shares	Amount
Common shares:				
Outstanding, beginning of year	52,188,740	\$ 25,777	38,996,556	\$ 14,757
Shares issued on exercise of options	—	—	17,000	22
Shares issued on exchange of notes	—	—	1,200	3
Shares issued on conversion of preferred shares	—	—	13,173,984	10,995
Outstanding, end of year	52,188,740	25,777	52,188,740	25,777
Series Two Class A Preferred shares:				
Outstanding, beginning of year	—	—	2,106,636	4,140
Conversion to common shares	—	—	(2,106,261)	(4,139)
Redemption of shares	—	—	(375)	(1)
Outstanding, end of year	—	—	—	—
Series Three Class A Preferred shares:				
Outstanding, beginning of year	—	—	2,301,169	6,904
Conversion to common shares	—	—	(2,285,069)	(6,856)
Redemption of shares	—	—	(16,100)	(48)
Outstanding, end of year	—	—	—	—
Less share issue costs		(1,906)		(1,906)
Total share capital		\$ 23,871		\$ 23,871

(c) Options:

At December 31, 2001, 5,312,500 common shares have been reserved for stock options as follows:

Expiry date	Options outstanding	Options exercisable	Price
November 9, 2006	200,000	147,407	\$.70
September 15, 2007	719,000	719,000	1.28
March 12, 2008	729,000	729,000	1.51
October 14, 2008	14,000	14,000	1.80
December 9, 2008	1,107,000	1,107,000	2.05
January 4, 2010	87,000	87,000	3.20
March 10, 2010	500	500	3.50
September 18, 2010	2,236,000	1,509,351	2.30
March 9, 2011	35,000	11,667	1.40
May 15, 2011	40,000	13,334	1.20
May 28, 2011	50,000	16,667	1.30
October 24, 2011	95,000	31,667	.75

Stock option transactions during 2001 and 2000 are as follows:

	2001		2000	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding, beginning of year	5,058,000	\$ 2.00	2,661,000	\$ 1.68
Granted	420,000	.89	2,424,000	2.34
Exercised	—	—	17,000	1.28
Cancelled	165,500	2.16	10,000	1.28
Outstanding, end of year	5,312,500	\$ 1.90	5,058,000	\$ 2.00

Options are granted at an exercise price set at the closing market price of the Corporation's common shares on the day preceding the date on which the option is granted and are exercisable within ten years of issue. Options granted prior to September, 2000 vested immediately and options granted after September, 2000 typically vest over a two year period.

8. INCOME TAXES:

Income taxes, including both the current and future portions, vary from the amounts that would be computed by applying the statutory federal and provincial tax rates aggregating 42% (2000 - 44%) to earnings (loss) before income taxes. Income taxes have been computed as follows:

(thousands of dollars)	2001	2000
Tax provision (recovery) at basic rates	\$ (979)	\$ 642
Increase (decrease) in taxes resulting from:		
Non-taxable income from securities	(1,613)	(2,300)
Effect of change in statutory tax rates	854	–
Non-taxable loss (income) from investments	115	(147)
Federal large corporations tax	86	88
Other permanent differences	81	151
Income tax recovery	\$ (1,456)	\$ (1,566)
Income tax recovery is comprised of:		
Current income tax provision	\$ 135	\$ 51
Future income tax recovery	(1,591)	(1,617)
	\$ (1,456)	\$ (1,566)
The components of future income tax balances are as follows:		
Future income tax assets:		
Allowance for loan losses	\$ 162	\$ 262
Loss carry-forwards	5,507	3,967
Other	–	102
	5,669	4,331
Future income tax liabilities:		
Deposit commissions	553	759
Securities valuation	1,094	1,107
Other	435	469
	2,082	2,335
Net future income tax asset	\$ 3,587	\$ 1,996

9. EARNINGS (LOSS) PER SHARE:

The Canadian Institute of Chartered Accountants has approved a new accounting standard for computing and disclosing earnings per share which the Corporation has adopted in 2001. The most significant change is that when calculating diluted earnings per share under the new standard, the Corporation assumes that proceeds received from the exercise of stock options are used to repurchase outstanding common shares; whereas under the previous standard, it was assumed that the proceeds were invested to earn a return. Diluted earnings per share of the prior year has not changed as a result of the adoption of the new accounting standard.

Basic earnings (loss) per share

(thousands except per share amounts)	2001	2000
Net earnings (loss)	\$ (876)	\$ 3,040
Less dividends paid on preferred shares	—	(355)
Less dividends paid by associated corporation	(108)	(117)
Net earnings (loss) available to common shareholders	\$ (984)	\$ 2,568
Average number of common shares outstanding	52,189	43,182
Basic earnings (loss) per share	\$ (0.02)	\$ 0.06

Diluted earnings (loss) per share

(thousands except per share amounts)	2001	2000
Net earnings (loss) available to common shareholders	\$ (984)	\$ 2,568
Average number of common shares outstanding	52,189	43,182
Stock options potentially exercisable	—	4,953
Shares potentially repurchased	—	(3,964)
Average diluted number of common shares outstanding	52,189	44,171
Diluted earnings (loss) per share	\$ (0.02)	\$ 0.06

10. INTEREST RATE RISK:

Interest rate sensitivity

The Corporation is exposed to interest rate risk as a consequence of the mismatch, or gap, between assets, liabilities and off balance sheet instruments scheduled to mature or reset on particular dates. The gaps which existed at December 31 are as follows:

(thousands of dollars)		at earlier of maturity or reset date of interest rate sensitive instruments						
	Floating rate	Within 3 months to 3 months	1 year to 1 year	2 years to 2 years	2 years to 5 years	Over 5 years	Non-interest rate sensitive	Total
Assets								
Cash resources	\$ 10,611	\$ 44,902	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 55,513
Effective yield	2.75%	2.05%						
Securities	16,295	69,365	44,083	32,184	39,951	38,036	2,325	242,239
Effective yield	3.77%	3.85%	3.63%	5.90%	5.57%	6.03%		
Mortgages and loans	9,876	39,585	41,653	32,887	202,994	82,199	4,631	413,825
Effective yield	4.54%	7.04%	6.52%	7.00%	6.96%	6.71%		
Other	—	—	—	—	—	—	21,799	21,799
Total assets	\$ 36,782	\$ 153,852	\$ 85,736	\$ 65,071	\$ 242,945	\$ 120,235	\$ 28,755	\$ 733,376
Liabilities and Shareholders' Equity								
Deposits	\$ —	\$ 176,521	\$ 264,802	\$ 94,675	\$ 122,203	\$ —	\$ 15,724	\$ 673,925
Effective rate		3.99%	4.37%	5.45%	5.88%			
Notes payable	—	—	—	2,002	—	22,684	—	24,686
Effective rate				9.50%		9.00%		
Other	—	—	—	—	—	—	34,765	34,765
Total liabilities and shareholders' equity	\$ —	\$ 176,521	\$ 264,802	\$ 96,677	\$ 122,203	\$ 22,684	\$ 50,489	\$ 733,376
On balance sheet gap	\$ 36,782	\$ (22,669)	\$ (179,066)	\$ (31,606)	\$ 120,742	\$ 97,551	\$ (21,734)	\$ —
Off balance sheet financial instruments								
Derivatives used for ALM	—	114,330	127,678	(44,330)	(172,728)	(24,950)	—	—
Effective rate		6.13%	6.24%	6.19%	6.24%	6.35%		
Total 2001 gap	\$ 36,782	\$ 91,661	\$ (51,388)	\$ (75,936)	\$ (51,986)	\$ 72,601	\$ (21,734)	\$ —
Total cumulative 2001 gap	\$ 36,782	\$ 128,443	\$ 77,055	\$ 1,119	\$ (50,867)	\$ 21,734	\$ —	\$ —
Total 2000 gap	\$ 42,784	\$ 302,176	\$ (210,527)	\$ (86,051)	\$ (108,232)	\$ 82,242	\$ (22,392)	\$ —
Total cumulative 2000 gap	\$ 42,784	\$ 344,960	\$ 134,433	\$ 48,382	\$ (59,850)	\$ 22,392	\$ —	\$ —

Interest rate risk can be defined as the impact on net interest income, both current and future, resulting from a change in market interest rates. This risk and potential variability in earnings arises primarily when cash flows associated with interest sensitive assets and liabilities have different repricing dates. The differentials, or interest rate gaps, arise as a result of the financial intermediation process and reflects differences on the part of borrowers and depositors. Interest rate swap agreements to exchange floating for fixed interest rates are entered into for the purpose of limiting exposure to changes in interest rates. A positive interest rate gap exists when interest sensitive assets exceed interest sensitive liabilities for a specific maturity or repricing period. A positive gap will tend to lead to an increase in net interest income when market rates rise since assets are repricing earlier than liabilities. The opposite impact will occur when market interest rates fall. A negative gap is the opposite of a positive gap.

II. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts set out in the table below represent the fair value of the Corporation's on and off balance sheet financial instruments. (thousands of dollars)

	2001				2000			
	Book Value	Fair value of assets & liabilities	Fair value of ALM derivatives	Fair value over (under) book value	Book Value	Fair value of assets & liabilities	Fair value of ALM derivatives	Fair value over (under) book value
Assets								
Cash resources	\$ 55,513	\$ 55,513	\$ -	\$ -	\$ 116,126	\$ 116,126	\$ -	\$ -
Securities	242,239	239,557	-	(2,682)	168,808	166,793	-	(2,015)
Mortgages and loans	413,825	437,973	-	24,148	381,844	390,398	-	8,554
Other assets	21,799	21,751	-	(48)	19,175	19,014	-	(161)
	\$ 733,376	\$ 754,794	\$ -	\$ 21,418	\$ 685,953	\$ 692,331	\$ -	\$ 6,378
Liabilities								
Deposits	\$ 673,925	\$ 684,478	\$ (13,863)	\$ 24,416	\$ 629,002	\$ 627,706	\$ (4,819)	\$ 3,523
Notes payable	24,686	19,749	-	(4,937)	22,686	22,686	-	-
Other liabilities	4,385	4,385	-	-	2,901	2,901	-	-
	\$ 702,996	\$ 708,612	\$ (13,863)	\$ 19,479	\$ 654,589	\$ 653,293	\$ (4,819)	\$ 3,523
Total				\$ 1,939				\$ 2,855

The fair value amounts have been determined using the valuation method and assumptions described below:

- The fair values of securities and the investment in PacWest Ventures Ltd., included in other assets, are determined based on quoted market prices.
- The fair value of mortgages and loans is based on net discounted cash flows using market interest rates for loans and appraised values for real estate.
- The fair value of deposits is determined based on discounted cash flows using market interest rates.
- The fair value of notes payable is determined by referring to current trading values for similar debt instruments.

12. RELATED PARTY TRANSACTIONS:

During the year, the Corporation earned management fees of \$nil (2000 - \$285,000) from PacWest Ventures Ltd. During the year the Corporation paid \$64,000 (2000 - \$nil) in interest to PacWest Ventures Ltd.

13. ASSETS UNDER ADMINISTRATION:

At December 31, 2001, the Corporation has \$51,014,000 (2000 - \$51,507,000) of assets under administration. These assets are maintained separately from the Corporation's assets and are not included in the consolidated balance sheets.

14. COMMITMENTS AND CONTINGENCIES:

The amounts of credit related commitments represents the maximum amount of additional credit that the Corporation could be obliged to extend. These amounts are not necessarily indicative of credit risk as many of these arrangements are contracted for a limited period of usually less than one year and will expire or terminate without being drawn upon.

(thousands of dollars)	2001	2000
Loan commitments	\$ 40,226	\$ 33,093
Letters of credit	5,722	5,472
	\$ 45,948	\$ 38,565

15. SUBSEQUENT EVENT:

On December 18, 2001, the shareholders of the Corporation and PacWest Ventures Ltd. ("PacWest") passed resolutions authorizing the amalgamation of the two companies. The amalgamation was effective January 1, 2002. Upon the amalgamation:

- Each issued and outstanding common share of PacWest was converted into one tenth of a common share of the amalgamated company,
- Each issued and outstanding Class A preferred share of PacWest was converted into one Class A preferred share of the amalgamated company,
- Each issued and outstanding common share of the Corporation was converted into one fifth of a common share of the amalgamated company, and
- All debts, liabilities and obligations of PacWest and the Corporation, including notes payable became debts, liabilities and obligations of the amalgamated company.

The amalgamation of the two companies will be accounted for as a purchase by the Corporation of the remaining 55% of the issued and outstanding common shares of PacWest. The amalgamated company will continue as Pacific & Western Credit Corp.

16. RECENTLY ISSUED STANDARDS NOT YET IMPLEMENTED:

Hedging relationships:

Accounting Guideline 13 ("AcG-13") establishes new criteria for hedge accounting and will apply to all hedging relationships in effect on or after January 1, 2003. To qualify for hedge accounting, the hedging relationship must be appropriately documented at the inception of the hedge and there must be reasonable assurance, both at the inception and throughout the term of the hedge, that the hedging relationship will be effective. Effectiveness requires a high correlation of changes in fair values or cash flows between the hedged item and the hedge. Management will review the impact of the transitional provision of AcG-13 for purposes of applying this guideline effective January 1, 2003 to its derivatives used for asset liability management.

DIRECTORS AND OFFICERS

PACIFIC & WESTERN CREDIT CORP.

Peter R. Lockyer, LL.B., Q.C.

Chairman of the Board and Director Pacific & Western's eTrust of Canada Inc. and Pacific & Western Credit Corp.
Partner, Lockyer Spence, Barristers and Solicitors

David R. Taylor, B.Sc. (Hons.), M.B.A., F.I.C.B.

Director, President and Chief Executive Officer
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Richard H.L. Jankura, B.B.A. (Hons.), C.A.

Senior Vice-President, Risk Management
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Jonathan F.P. Taylor, B.B.A.

Senior Vice-President, Operations
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Barry D. Walter, B.Comm., C.A.

Chief Financial Officer
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

John W. Asma, B.A. (Hons.), M.B.A.

Vice-President and Treasurer
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp. Inc.

Ross P. Duggan

Vice-President
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp. Inc.

Barbara E.M. Hale, LL.B.

Vice-President, Compliance, General Counsel and Secretary
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Bruce M. Schruder, B.B.A. (Hons.), F.I.C.B.

Vice-President
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Kingsley G. Allaster, B.A. (Hons.), C.A.,

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.
Chief Operating Officer, Venture Capital London Inc.,
President, Kingsley G. Allaster & Associates

Terrence L. Bedard, M.B.A., P.Eng., CFA

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.
Retired

David A. Bratton, B.A. (Hons.), M.B.A., C.M.C.

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.
President, Bratton Consulting Inc.

Dale E. Creighton, B.A., CLU., CH.F.C., LLIF

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.
Retired

John L. Evans, M.B.A., Ph.D.

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.
Principal, Financial Services Industry Monitor and
EPS — Evans Strategic Policy Inc.,
Vice-Chairman, Ross Dixon Holdings Limited

Douglas W. Gough, B.B.A. (Hons.), M.B.A.

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.
Partner, Mintz & Partners, Financial Services

Arnold E. Hillier, B.Comm., C.A.

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.
Vice-Chairman, Chief Executive Officer and
Chief Financial Officer, Claude Resources Inc.

Alexander Mikalachki, B.Comm., M.B.A., Ph.D.

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.
Professor Emeritus, Richard Ivey School of Business,
University of Western Ontario

Francis J.C. Newbould, B.A., LL.B., Q.C.

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.
Partner, Borden Ladner Gervais LLP, Barristers and Solicitors

Michael F.B. Nesbitt, B.A., B.Comm.

Director - Pacific & Western Credit Corp.
President, Montrose Investment Co. Ltd.
Chairman, Montrose Mortgage Corporation Ltd.

C. Scott Ritchie, B.B.A. (Hons.), LL.B., Q.C.

Director - Pacific & Western Credit Corp.
Partner, Siskind, Cromarty, Ivey, Dowler LLP,
Barristers and Solicitors

[CORPORATE INFORMATION]

Solicitors

MacPherson Leslie & Tyerman
1500 — 410 22nd Street East
Saskatoon, Saskatchewan
S7K 5T6

Lockyer Spence
Suite 600, 465 Richmond Street
London, Ontario
N6A 5P4

Auditors

KPMG LLP
600 — 128 4th Avenue South
Saskatoon, Saskatchewan
S7K 1M8

Bank

Canadian Imperial Bank of Commerce
201 — 21st Street East, Main Branch
Saskatoon, Saskatchewan
S7K 0B8

Transfer Agent

Computershare Trust Company of Canada
100 University Avenue
Toronto, Ontario
M5J 2Y1

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol: PWC

Corporate Offices

London Office

Suite 2002, Talbot Centre
140 Fullarton Street
London, Ontario
N6A 5P2
Telephone: (519) 645-1919
Fax: (519) 645-2060

Saskatoon Office

950 — 410 22nd Street East
Saskatoon, Saskatchewan
S7K 5T6
Telephone: (306) 244-1868
Fax: (306) 244-4649

Yellowknife Office

Postal Station 9600
Suite 254, 4905 — 48th Street
Yellowknife, NWT
X1A 2R3
Telephone: (867) 669-0091
Fax: (867) 669-0704

www.pwcorp.com
chrise@pwcorp.com

Annual Meeting

June 28, 2002 at 11:00 a.m. (Eastern Standard Time)
The London Club
177 Queens Avenue
London, Ontario



Pacific & Western Credit Corp., 140 Fullarton Street, Suite 2002, London, Ontario N6A 5P2
t. 519.645.1919 f. 519.645.2060

Printed in Canada